

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

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TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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TO SECSTATE WASHDC PRIORITY 1101

INFO US MISSION GENEVA PRIORITY 649

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E.O. 11652: N/A

TAGS: ETRD, GATT, SP

SUBJ: GOS COMPLAINT REGARDING U.S. GATT DELEGATION

1. BEGIN SUMMARY: GOS HAS COMPLAINED OF HARD LINE, UNCOMPROMISING U.S. DELEGATION MEMBER POSITION IN THE GATT TEXTILE COMMITTEE TOWARDS THE SPANISH OFFICIAL EXPLANATION FOR LACK OF TEXTILE TRADE LIBERALIZATION MOVES UNDER THE MULTILATERAL TEXTILE AGREEMENT (MTA). END SUMMARY.

2. CHARGE WAS REQUESTED BY UNDER SECRETARY JUAN JOSE ROVIRA Y SANCHEZ HERRERO, MFA, TO CALL FEB 18 ACCOMPANIED BY ECON COUNSELOR, ON WHAT WAS DESCRIBED AS A GATT ISSUE. THE UNDER SECRETARY WAS ACCOMPANIED BY RAIMUNDO BASSOLS JACAS, DIRECTOR GENERAL FOR INTERNATIONAL ECONOMIC RELATIONS, MFA, WHO WAS THE SPOKESMAN FOR MFA REPRESENTATION. BASSOLS SAID GOS WAS DISTURBED AND AGGRAVATED BY HARD LINE POSITION TAKEN RECENTLY BY U.S. MEMBER OF GATT COMMITTEE WHICH MAINTAINS WATCH OVER COMPLIANCE WITH TEXTILE AGREEMENT ON THE SPANISH EXPLANATION.

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PLIANCE WITH TEXTILE AGREEMENT ON THE SPANISH EXPLANATION.

TION WHY NO MOVEMENT FURTHER TO LIBERALIZE TEXTILE IMPORTS HAD BEEN TAKEN BY SPAIN. HE EXPLAINED THAT THE SPANISH SUBMISSION HAD JUSTIFIED THE LACK OF MOVEMENT ON THREE GROUNDS:

A. A LOSS ON CURRENT ACCOUNT DURING 1974 OF APPROXIMATELY EIGHT AND ONE-HALF BILLION DOLLARS.

B. A SUBSTANTIAL WEAKENING IN THE SPANISH BALANCE OF PAYMENTS OVERALL, MASKED IN PART BY SUBSTANTIAL BORROWING ABROAD BY SPANISH PUBLIC CORPORATIONS, SPECIFICALLY INSTITUTO NACIONAL DE INDUSTRIA (INI) AND TELEFONICA.

C. THE SERIOUSLY DEPRESSED SITUATION OF THE SPANISH TEXTILE INDUSTRY, PARTICULARLY IN THE BARCELONA AREA, IN WHICH THERE HAVE BEEN SIGNIFICANT NUMBERS OF SUSPENSIONS OF PAYMENT AND BANKRUPTCIES.

3. DESPITE THIS FACTUAL EXPLANATION OF THE LACK OF MOVEMENT IN LIBERALIZATION OF TEXTILE IMPORTS, THE U.S. MEMBER, SECONDED BY THE CANADIANS, HAD BEEN VERY CRITICAL OF THE LACK OF LIBERALIZATION, ACCORDING TO BASSOLS. BASSOLS RECALLED THAT THE ISSUE OF THE PACE OF LIBERALIZATION HAD ALSO BEEN DISCUSSED IN 1973 IN THE GATT COUNCIL FOLLOWING AN IMF REPORT WHICH CONCLUDED THAT THERE WERE NO REMAINING JUSTIFICATIONS ON BALANCE OF PAYMENTS GROUNDS FOR SPAIN NOT TO FURTHER LIBERALIZE ITS TRADE. THE COUNCIL HAD ADOPTED A REPORT RECOMMENDING THAT SPAIN CONTINUE AND INTENSIFY ITS POLICY OF LIBERALIZATION. AT THAT TIME THE U.S. DELEGATION HAD BEEN SHARPLY CRITICAL AND HAD BEEN DEMANDING THAT SPAIN LIBERALIZE ITS TRADE. BASSOLS CONTINUED THAT BOTH THE ACTIONS IN THE GATT COUNCIL AND THE MULTILATERAL TEXTILE AGREEMENT HAD OCCURRED BEFORE THE WESTERN WORLD HAD EXPERIENCED THE IMPACT OF THE OIL PRODUCING COUNTRIES' PRICING POLICY AS WELL AS THE SEVERE RISES IN THE COSTS OF OTHER RAW MATERIALS, PARTICULARLY IN 1974. IN THE CIRCUMSTANCES OF THEIR PRESENT ECONOMIC SITUATION, HE THOUGHT SPAIN WAS REASONABLE AND FORTHRIGHT IN EXPLAINING WHY IT COULD NOT SATISFY THE COMMITMENTS TO LIBERALIZE MADE UNDER THE LIMITED OFFICIAL USE

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TEXTILE AGREEMENT. THE GOS WOULD HAVE LIKE TO HAVE HEARD SOME WORDS OF UNDERSTANDING AND APPRECIATION OF THEIR POSITION FROM THE U.S. AND RATHER EXPECTED IT GIVEN THE FACT THAT THE U.S. HAD, IN THE OECD IN PARTICULAR, RECOGNIZED THE ECONOMIC IMPACT OF PETROLEUM PRICING AND RAW MATERIALS COSTS AND HAD ACTIVELY PROMOTED THE CONCEPT OF MULTILATERAL INITIATIVE TO COUNTER THAT EFFECT ON COUNTRY MEMBERS OF THE OECD. THE GOS

HOPED THAT U.S. GATT REPS COULD MODERATE THEIR ATTITUDE TOWARD SPAIN'S PACE OF TEXTILE TRADE LIBERALIZATION IN THE PRESENT DIFFICULT SITUATION OF WORLD ECONOMIES.

4. ROVIRA, WHO HAD BEEN DETAINED BY THE MINISTER OF FOREIGN AFFAIRS, REITERATED THE PRINCIPAL JUSTIFICATIONS FOR THE SPANISH POSITION IN GATT WHEN HE JOINED THE MEETING, AND SAID THAT HE HOPED THE UNITED STATES REPRESENTATIVE COULD BE MORE UNDERSTANDING AND MODERATE THE TONE OF HIS STATEMENTS.

5. THECHARGE, AFTER FIRST ESTABLISHING THAT THE ISSUE IN THE TEXTILE COMMITTEE HAD BEEN ONE OF FAILURE TO LIVE UP TO COMMITMENTS TO FURTHER LIBERALIZATION, NOT ONE OF HAVING INTRODUCED NEW RESTRICTIONS, SAID THAT HE UNDERSTOOD AND WOULD REPORT THE GOS POSITION. HE THEN USED THIS OPPORTUNITY TO GO ON TO SAY THAT, ON A DIFFERENT LEVEL, A MOVE BY SPAIN TO IMPOSE NEW GENERAL RESTRICTIONS ON TRADE, SUCH AS THE ADVANCE IMPORT DEPOSIT REQUIREMENTS THAT HAD BEEN RUMORED RECENTLY, WOULD BE CAUSE OF CONCERN FOR THE U.S. AND PRESUMABLY FOR OTHER SIGNATORIES TO LAST MAY'S OECD DECLARATION ON TRADE. SUCH A MOVE WOULD BE DIFFICULT TO UNDERSTAND IN VIEW OF SPAIN'S STILL FAVORABLE RESERVE AND GENERAL ECONOMIC POSITION RELATIVE TO THAT OF OTHER SIGNATORIES.

6. ROVIRA RESPONDED THAT SPAIN'S GROSS RESERVE POSITION ONLY COVERED FOUR MONTHS' IMPORTS AND WAS DETERIORATING. CONTRARY TO THE LIBERAL POSITION ON TRADE OF THE MINISTER OF COMMERCE, HE PERSONALLY BELIEVED SPAIN SHOULD INSTITUTE SELECTIVE CONTROLS TO CUT BACK ON NON-ESSENTIAL IMPORTS. THE CHARGE COMMENTED THAT IF ALL MAJOR TRADING COUNTRIES WERE TO LIMITED OFFICIAL USE

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ADOPT THIS POLICY, WORLD TRADE, ECONOMIC ACTIVITY AND EMPLOYMENT WOULD SUFFER. WHEN BASSOLS THEN MENTIONED THE SAFETY NET FINANCING PROPOSAL, THE CHARGE SAID IT WAS PRECISELY TO AVOID CONTRACTIONARY POLICIES THAT THE UNITED STATES WAS WORKING TO SEE THAT ADEQUATE FINANCIAL FACILITIES WERE AVAILABLE TO HELP COUNTRIES THAT WERE IN BALANCE OF PAYMENTS DIFFICULTIES PRIMARILY BECAUSE OF INCREASED PETROLEUM BILLS. ROVIRA THEN SAID THAT IF SECRETARY KISSINGER COULD ACHIEVE A REDUCTION IN THE PETROLEUM PRICE TO \$7 PER BARREL, THAT INDEED WOULD EASE THE PRESSURE. THIS PART OF THE CONVERSATION CLOSED WITH THE CHARGE SAYING THAT THERE WERE, INDEED, SOME SIGNS OF SOFTENING IN THE PETROLEUM MARKET.

7. COMMENT: THE GOS DOUBTLESS IS UNDER CONSIDERABLE PRESSURE FROM BARCELONA TEXTILE PRODUCERS WITH REGARD TO

TEXTILE IMPORT POLICY. WE SHALL BE FORTUNATE IF WE GET
THROUGH THE WORLD ECONOMIC DOWNTURN WITH ONLY SPANISH NON-
COMPLIANCE ON COMMITMENTS TO FURTHER LIBERALIZATION AND NOT
IMPOSITION OF NEW RESTRICTIONS. THE SPANISH COMPLAINT OVER THE
U.S. ATTITUDE IN THE GATT TEXTILE COMMITTEE GAVE A
WELCOME OPPORTUNITY TO MAKE POINTS WITH REGARD TO
THE BROADER ISSUE.
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